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CRAIG BILL WOULD REPEAL \$7 BILLION TAX INCREASE

“IRS doesn’t need help doing its job.”

WASHINGTON, D.C. – Idaho Senator Larry Craig introduced the Withholding Tax Relief Act of 2006 today, which would repeal a provision designed to increase federal tax revenue by \$7 billion over ten years. Craig’s bill would repeal the new mandatory 3 percent withholding requirement on all payments for goods and services made to federal, state, and local contractors. The requirement, set to go into effect in 2011, was included as a “revenue raiser” in the tax relief package signed by President Bush today.

“Proponents of the withholding provision describe it as ‘closing a tax loophole.’” Craig said. **“That is nonsense. Reporting requirements are already in place for government contractors. All this does is buck the IRS’s collection responsibilities to the taxpayers. Not only does the federal government spend taxpayers’ dollars, but this provision would make taxpayers bear the burden and cost of collecting them too.**

“The way it functions, this language will take money out of the hands of individuals and businesses for up to 15 months, instead of letting them keep and use it until taxes are due. The government will end up holding this money, interest-free, instead of letting it circulate through the economy. On all counts, this is bad policy. My bill will put it right.”

The introduction of Craig’s legislation follows the release of a letter by the Congressional Budget Office on May 9, 2006 stating that the new withholding requirement constitutes an unfunded mandate on the state and local governments, the cost of which exceeds the annual threshold established in the Unfunded Mandates Reform Act.